

Oil Market Review in Japan No. 11/2017

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Overview

The key WTI (West Texas Intermediate) crude oil futures contract moved within a weaker range between \$44.73 per barrel and \$46.46/bbl on the NYMEX (New York Mercantile Exchange) in the June 8-14 week.

On June 15, the July contract fell further as concerns about a prolonged oil glut grew on an upward trend in OPEC (Organization of the Petroleum Exporting Countries) oil production as indicated by monthly OPEC and IEA (International Energy Agency) reports and on the previous day's report unveiling a U.S. gasoline inventory increase against a market-forecast decline. The contract closed at \$44.46/bbl, down \$0.27/bbl. On June 16, the key contract rallied for the first time in three market days on position adjustment and bargain hunting buying before the weekend, as well as the dollar's depreciation against the euro making crude oil futures prices lower and a report on Kazakhstan's planned enhancement of its oil production reduction as part of OPEC and non-OPEC oil producing countries' coordinated production cut. The market made a limited response to a Baker Hughes report that the number of operating U.S. oil-drilling rigs increased by six from a week earlier to 747 for the 22nd straight weekly rise. The July contract closed at \$44.74/bbl, up \$0.28/bbl.

On June 19, the key contract turned down on an expected increase in oil production by Libya exempted from the coordinated production cut and a report that Saudi Arabian Energy Minister Khalid al-Falih told an Arab newspaper that the achievement of supply-demand equilibrium in the crude oil market would be delayed until late this year. The July contract closed \$0.54/bbl lower at \$44.20/bbl. On June 20, the key contract fell further with a substantial decline as concerns about an easier supply-demand balance grew on a reported uptrend in oil production by Libya and Nigeria. The July contract closed \$0.97/bbl lower at \$43.23/bbl. On June 21, the key contract dropped even further on lingering concerns about an oil glut and position adjustment selling, despite faster-than-forecast declines in crude oil and gasoline inventories in a weekly EIA (Energy Information Administration) report. The August contract, which replaced the July contract as the front-month contract on the day, finished at \$42.53/bbl, down 0.98/bbl.

The Asian benchmark crude oil of Dubai for July delivery on the Tokyo market ranged between \$46.60/bbl and \$47.30/bbl in the June 8-14 week, weakening from the previous week. It closed at \$45.70/bbl on June 15, at \$45.50/bbl on June 16, at \$45.70/bbl on June 19, at \$45.40/bbl on June 20 and at \$44.50/bbl on June 21.

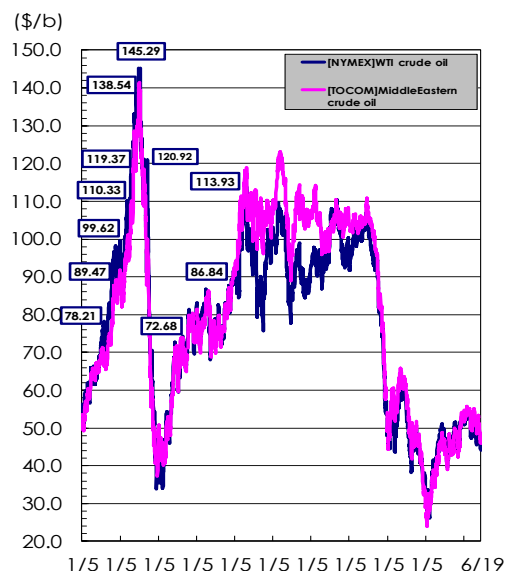
On the foreign exchange market in the June 8-14 week, the dollar moved within a narrow range between 109.99 and 110.23 yen. It changed hands at 109.72 yen in late trading on June 15, at 111.09 yen on June 16, at 111.03 yen on June 19, at 111.77 yen on June 20 and at 111.38 yen on June 21.

According to preliminary 10-day trade statistics released by the Ministry of Finance on June 19, the average crude oil import CIF price in the May 21-31 period stood at 37,938 yen/kl (kiloliter), up 36 yen/kl from the previous 10-day period. In dollars, the price was \$53.29/bbl, down \$0.78/bbl. The average exchange rate was 113.18 yen to the dollar. According to preliminary monthly trade statistics released by the ministry on the same day, the average crude oil import CIF price in May came to 37,777 yen/kl, up 164 yen/kl from the previous month. In dollars, the price was \$53.85/bbl, down \$0.05/bbl. The average exchange rate was 111.52 yen to the dollar.

Wholesale prices of gasoline and middle distillates that major Motouri (petroleum products wholesalers) applied to the fourth week of June were lowered by up to 1.0 yen/l (liter) by some Motouri and raised by 0.5 yen/l by others. Crude oil cost declined as crude oil price drops overwhelmed the effect of the yen's depreciation.

Japan's average retail price on June 12 stood at 131.0 yen/l for gasoline, down 0.6 yen/l from a week earlier, at 110.2 yen/l for diesel oil, down 0.4 yen, and at 76.6 yen/l for kerosene (heating oil), down 0.1 yen/l. The gasoline and diesel prices fell for the second straight week. The kerosene price dropped for the ninth straight week. While crude oil cost declined in the third week of June, wholesale prices of petroleum products were lowered by 1.0 yen/l by some Motouri companies and by 1.5 yen/l by others.

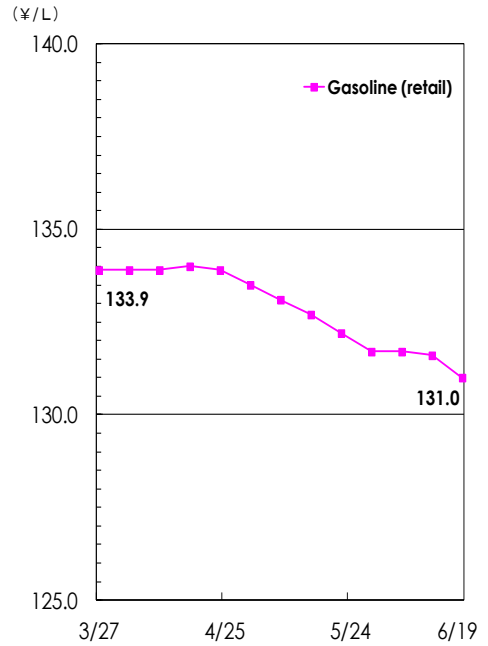
Crude oil			This week		From a week earlier	From a year earlier
Supply/Demand	Crude oil runs (1,000 kl)	6/11 ~ 6/17	3,084	▼ -49	▼	—
	Topper capacity utilization rate (%)	"	78.8	▼ -1.2	▲	—
	Crude oil inventories (1,000 kl)	6/17	13,363	▼ -770	▼	—
Prices	Middle Eastern crude oil (TOCOM) (\$/bbl)	6/19	46.06	▼ -1.41	▲ 0.2	
	WTI crude oil (NYMEX) (\$/bbl)	6/19	44.20	▼ -1.88	▼ -5.2	
	Crude oil import CIF price (\$/bbl)	Late May	53.29	▼ -0.78	▲ 12.61	
	① Crude oil import CIF price (yen/kl)	"	37,938	▲ 36	▲ 10,064	
	② Yen-dollar exchange rate (yen/dollar)	"	113.18	▼ -1.74	▼ -4.26	
	TTS exchange rate (yen/dollar)	6/19	112.03	▼ -0.80	▼ -6.34	



(Unit: 1,000 kl, yen/l)

Gasoline		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	6/11 ~ 6/17	927	▼ -17	▼ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	965	▲ 60	▲ -	
	Exports	"	54	▲ 14	▲ -	
	Inventories	6/17	1,892	▼ -92	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/13 ~ 6/19	48.2	▼ -0.8	▲ 3.7	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	6/13 ~ 6/19	46.5	▼ -1.0	▲ 2.4
		(TOCOM/ Chubu)	6/19	46.5	▼ -0.1	▲ 3.0
	Retail prices [weekly trend] (published by ANRE)	6/19	131.0	▼ -0.6	▲ 7.0	

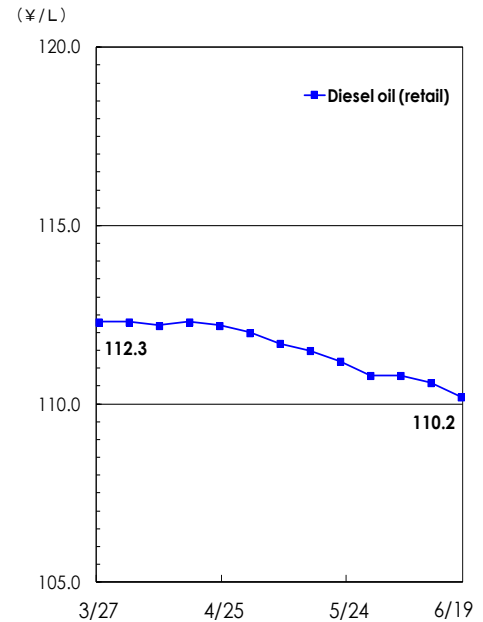
*Gyoten and futures prices are before tax



(Unit: 1,000 kl, yen/l)

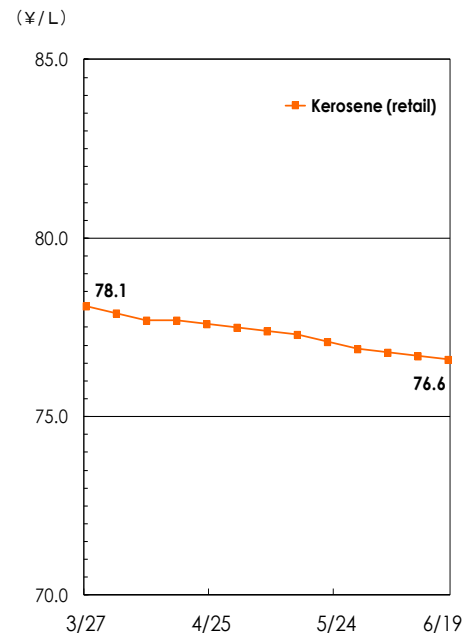
Diesel oil		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	6/11 ~ 6/17	789	▲ 146	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	602	▲ 17	▼ -	
	Exports	"	161	▼ -45	▲ -	
	Inventories	6/17	1,455	▲ 26	▲ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/13 ~ 6/19	47.0	▼ -0.6	▲ 5.3	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	6/13 ~ 6/19	48.0	▶ 0.0	▲ 8.0
		(TOCOM/ Chubu)	6/19	-	-	-
	Retail prices [weekly trend] (published by ANRE)	6/19	110.2	▼ -0.4	▲ 6.5	

*Gyoten and futures prices are before tax



(Unit: 1,000 kl, yen/l)

Kerosene		This week		From a week earlier	From a year earlier	
Supply/ Demand	Production	6/11 ~ 6/17	147	▲ 27	▲ -	
	Imports	"	n.a.	n.a.	n.a.	
	Shipments	"	80	▲ 27	▲ -	
	Exports	"	3	▲ 3	▲ -	
	Inventories	6/17	1,480	▲ 64	▼ -	
Prices	Gyoten (spot) [4-district average lorry rack price] (RIM)	6/13 ~ 6/19	45.4	▼ -1.1	▲ 4.6	
	Futures [front-month contract/closing price]	(TOCOM/ Tokyo Bay)	6/13 ~ 6/19	44.3	▲ 0.4	▲ 4.5
		(TOCOM/ Chubu)	6/19	44.6	▲ 0.6	▲ 5.6
	Retail prices [weekly trend] (published by ANRE)	6/19	76.6	▼ -0.1	▲ 12.4	



Relevant Information

1 Overseas crude oil prices

On June 21, the most frequently traded WTI futures contract on the NYMEX opened higher as a weekly EIA report said crude oil inventories posted a decline of 2.5 million barrels from a week earlier, faster than a market-forecast fall of 2.1 million barrels, and that gasoline inventories logged a decrease of 600,000 barrels against a market-forecast increase. As position adjustment and profit-taking selling grew on lingering concerns about an oil glut amid U.S. crude oil production expansion and rising production in Libya and Nigeria, however, the front-month contract fell for the third straight day with a substantial loss to the lowest level in some 10 months since \$41.71/bbl on August 10, 2016. The August contract finished \$0.98/bbl lower at \$42.53/bbl. The September contract lost \$1.02/bbl to \$42.75/bbl.

According to the EIA, the average U.S. retail price of gasoline as of June 19 fell by 4.8 cents per gallon from a week earlier to \$2.318/gal (67.9 yen/l). The average diesel oil price fell by 3.5 cents/gal to \$2.489/gal (72.9 yen/l). The gasoline price dropped for the second straight week, while the diesel price fell for the third straight week.

2 Petroleum products supply and demand in Japan (1) Shipments

According to a weekly report by the PAJ (Petroleum Association of Japan), inactive topper capacity during the June 11-17 week came to 647,000 bpd (barrels per day), up 124,000 bpd from the previous week (total capacity stood at 3,519,000 bpd).

Crude oil throughput in the week fell by 49,000 kl from the previous week to 3,084,000 kl. From a year earlier, it decreased by 170,000 kl. The topper capacity utilization rate stood at 78.8%, down 1.2 points from a week earlier and up 2.2 points from a year earlier.

Output decreased from the previous week for gasoline and Fuel Oil A, while increasing for other petroleum products. Output was down 1.8% for gasoline, up 1.8% for jet fuel, up 22.5% for kerosene, up 22.7% for diesel oil, down 13.2% for Fuel Oil A and up 39.7% for Fuel Oil C. Fuel Oil C imports in the week totaled 28,000 kl, down 40,000 kl from the previous week. Diesel oil exports aggregated 161,000 kl, down 45,000 kl.

Shipments (sales volume) in the week decreased from the previous week for jet fuel and Fuel Oil A and increased for other petroleum products. From a year earlier, shipments decreased for diesel oil and Fuel Oil C and increased for other petroleum products. Gasoline shipments increased by 6.7% from the previous week to 965,000 kl. They increased week on week for the first time in three weeks and year on year for the first time in four weeks, remaining below 1 million kl for three weeks on end.

Shipments totaled 88,000 kl for jet fuel (down 48.2% from the previous week), 80,000 kl for kerosene (up 49.5%), 602,000 kl for diesel oil (up 2.8%), 177,000 kl for Fuel Oil A (down 12.3%) and 196,000 kl for Fuel Oil C (up 16.2%).

(Unit: 1,000 kl)

	This week (6/11 ~ 6/17)	Previous week (6/4 ~ 6/10)	From a week earlier
Gasoline	965	905	▲ 60 (7%)
Jet fuel	88	169	▼ -81 (-48%)
Kerosene (heating Oil)	80	53	▲ 27 (51%)
Diesel oil	602	585	▲ 17 (3%)
Fuel oil A	177	202	▼ -25 (-12%)
Fuel Oil C	196	168	▲ 28 (17%)
Total	2,108	2,082	▲ 26 (1%)

This week's shipments = (Previous weekend inventories + This week's production + This week's imports) - (This week's exports + This weekend inventories)

2 Petroleum products supply and demand in Japan (2) Inventories

Inventories as of June 17 decreased from a week earlier for gasoline, and Fuel Oil A and C and increased for other petroleum products. From a year earlier, inventories decreased for gasoline, kerosene and Fuel Oil A and increased for others.

Gasoline inventories totaled 1,892,000 kl, down 92,000 kl from a week earlier and unchanged from a year earlier.

Kerosene inventories totaled 1,480,000 kl, up 64,000 kl from a week earlier and down 252,000 kl from a year earlier.

Diesel oil inventories totaled 1,455,000 kl, up 26,000 kl from a week earlier and up 9,000 kl from a year earlier.

Fuel Oil A inventories totaled 803,000 kl, down 9,000 kl from a week earlier and down 19,000 kl from a year earlier.

Fuel Oil C inventories totaled 2,070,000 kl, down 55,000 kl from a week earlier and up 67,000 kl from a year earlier.

(Unit: 1,000 kl)

	This week (6/17)	Previous week (6/10)	From a week earlier
Gasoline	1,892	1,984	▼ -92 (-5%)
Jet fuel	1,148	1,061	▲ 87 (8%)
Kerosene (heating Oil)	1,480	1,416	▲ 64 (5%)
Diesel oil	1,455	1,429	▲ 26 (2%)
Fuel oil A	803	812	▼ -9 (-1%)
Fuel Oil C	2,070	2,125	▼ -55 (-3%)
Total	8,848	8,827	▲ 21 (0.2%)

3 Petroleum products wholesale prices in Japan (1) Wholesale price revision trend

Between June 13 and 19, crude oil cost apparently decreased despite the yen's slight depreciation as crude oil prices dropped.

Onshore cargo spot prices almost leveled off within a 101-103 yen/l range for gasoline, slightly weakened to a 46-48 yen/l range for diesel oil and almost leveled off within a 45-46 yen/l range for kerosene. Offshore barge spot prices slightly fell to a 104-105 yen/l range for gasoline, to a 47-49 yen/l range for diesel oil and to a 43-45 yen/l range for kerosene. Wholesale gasoline, kerosene and diesel oil prices were cut by up to 1.0 yen/l by some Motouri companies and raised by 0.5 yen/l by others.

3 Petroleum products wholesale prices in Japan (2) Spot (Gyoten) and futures price trend

While crude oil cost decreased slightly, onshore cargo spot prices for all petroleum products and offshore barge spot prices for gasoline and diesel oil decreased. Diesel oil futures prices remained unchanged. Offshore barge spot and futures prices for kerosene increased. Spot petroleum products prices thus weakened generally. Weekly gasoline sales volume increased for the first time in three weeks, though remaining below 1 million kl for three weeks on end.

The latest onshore cargo spot price (the average onshore rack price for four districts -- Chiba, Kawasaki, Chukyo and Hanshin -- for June 13-19) that influences Motouri's wholesale prices applied to the fourth week of June (June 22-28) fell by 0.8 yen/l for gasoline, by 0.6 yen/l for diesel oil and by 1.1 yen/l for kerosene. The average offshore barge spot price in Tokyo Bay decreased by 0.4 yen/l for gasoline and diesel oil and rose by 0.3 yen/l for kerosene. The key futures price decreased by 1.0 yen/l for gasoline, leveled off for diesel oil and rose by 0.4 yen for kerosene. As crude oil prices dropped, crude oil cost decreased despite the yen's slight depreciation.

Wholesale prices of petroleum products for the fourth week of June were cut by up to 1.0 yen/l by some Motouri companies and raised by 0.5 yen/l by others. Motouri companies based wholesale price revisions on crude oil and petroleum products market prices and each other's prices from 2010 and have adopted an approach giving greater priority to crude oil acquisition costs since June 2014.

(RIM) [4-district average lorry rack price]		(Unit: yen/l)		
		This week (6/13 ~ 6/19)	Previous week (6/6 ~ 6/12)	From a week earlier
Spot Prices	Regular	48.2	49.0	▼ -0.8
	Kerosene	45.4	46.5	▼ -1.1
	Diesel oil	47.0	47.6	▼ -0.6

(TOCOM) [Front-month contract/closing price]		(Unit: yen/l)		
[Average]		This week (6/13 ~ 6/19)	Previous week (6/6 ~ 6/12)	From a week earlier
Futures Price	Regular	46.5	47.5	▼ -1.0
	Kerosene	44.3	43.9	▲ 0.4
	Diesel oil	48.0	48.0	➡ 0.0

Above prices are before tax.

Reference (June 13 - June 19 actual data)				(Unit: yen/l)
Products	Spot	Futures	Average	
Gasoline	▼ -0.8	▼ -1.0	▼ -0.9	
Kerosene	▼ -1.1	▲ 0.4	▼ -0.3	
Diesel oil	▼ -0.6	➡ 0.0	▼ -0.3	
Fuel Oil A	▼ -0.8			

(Source) Spot: RIM 4-district average lorry rack price (Chiba, Kawasaki, Chukyo, Hanshin)

Futures: TOCOM average offshore barge spot price for Keihin District

4 Retail prices of petroleum products in Japan

The average retail service station price as of June 19 fell by 0.6 yen/l from a week earlier to 131.0 yen/l for gasoline, by 0.4 yen/l to 110.2 yen/l for diesel oil and by 0.1 yen/l to 76.6 yen/l for kerosene. The gasoline and diesel prices dropped for the second straight week. The kerosene price decreased for the ninth straight week.

Gasoline prices increased in three prefectures, remained unchanged in two and fell in 42. The lowest gasoline price among the prefectures was 124.4 yen/l in Tokushima Prefecture (down 1.6 yen/l from a week earlier). The second lowest was 126.9 yen/l in Saitama (down 0.1 yen/l). The highest price was 140.0 yen/l in Okinawa (unchanged). Posting the largest price hike of 0.7 yen/l was Okayama (127.3 yen/l). Logging the largest drop of 2.7 yen/l was Shiga (127.0 yen/l). Gasoline prices remained unchanged in Okinawa (140.0 yen/l) and Kagawa (131.8 yen/l).

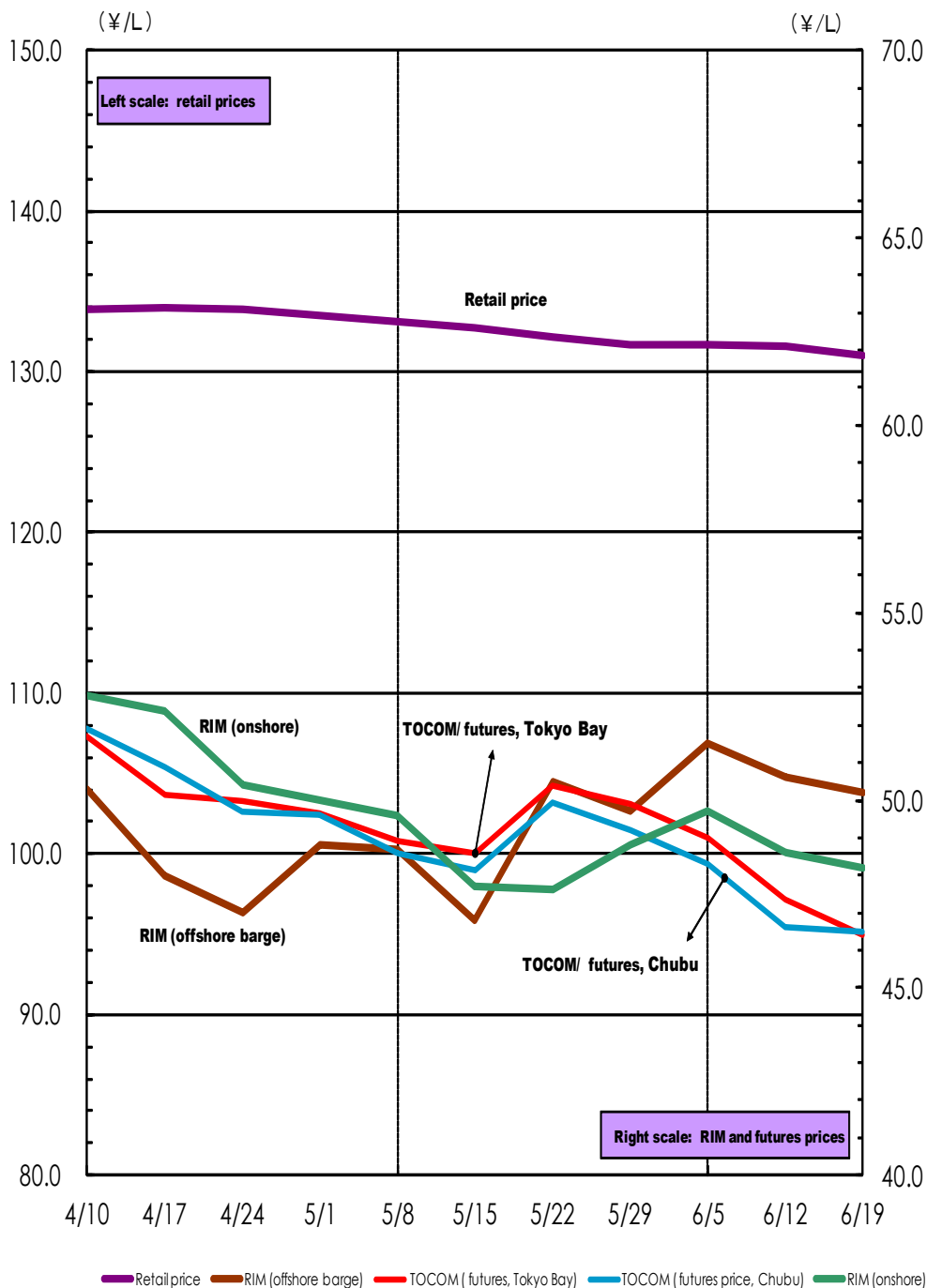
While crude oil cost fell, with Motouri cutting gasoline prices by 1.0 yen/l or 1.5 yen/l, the average retail gasoline price fell for the second straight week. This week, crude oil cost decreased despite the yen's slight appreciation as crude oil prices dropped. Wholesale gasoline prices were cut by 1.0 yen by some Motouri and raised by 0.5 yen/l by others. Retail gasoline prices are likely to slightly fall next week (as of June 26).

(Published by ANRE)[Weekly trend]		(Unit: yen/l)			
		This week (6/19)	Previous week (6/12)	From a week earlier	Latest high
Retail Price	Regular	131.0	131.6	▼ -0.6	08/8/4 185.1
	Kerosene	76.6	76.7	▼ -0.1	08/8/11 132.1
	Diesel oil	110.2	110.6	▼ -0.4	08/8/4 167.4

Nationwide average cash retail price (including consumption tax)
Since April 2007, 2,000 service stations have been covered.
Latest highs are highest levels since October 2003.

Gasoline price trend

(2017/4/10 ~ 2017/6/19)



(Note) ① Retail price includes consumption Tax, RIM, TOCOM prices are before tax.
 ② RIM (onshore) is the average of four district .

■ Announcement

This report is available at the center's website (<http://eneken.ieej.or.jp/en/>).
The next issue (No. 12 for 2017) will be announced at 14:00 on July 7.

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Weekly Oil Market Review

In an interim report compiled in May 2004 by a petroleum products market trend study panel sponsored by the Petroleum Distribution and Retail Division of the Natural Resources and Fuel Department at the Agency for Natural Resources and Energy, the panel stated, "We hope that the Japanese oil industry will solidify its market and price-finding functions and that the oil industry as a mainstay industry in Japan will further enhance its rationality and vitality over a medium term as industry people deepen their understanding of the need for rational price recognition based on market and price-finding functions to be established in the oil industry and for business decisions based on recognition under the principle of self-responsibility."

In response to the report, this Center has published the Weekly Oil Market Review as a tool for oil-related people, business administrators (particularly service station managers) and ordinary consumers to accurately understand crude oil and petroleum products supply and demand and price trends, in cooperation with relevant organizations such as the Petroleum Association of Japan and the Zensekiren (Japan's Dealers Association) since May 2005.

Sources of data provided in this report

① [Crude oil and petroleum products supply and demand] (weekly PAJ report)

Data in weekly statistics on crude oil and petroleum product supply by the Petroleum Association of Japan are calculated in terms of 1,000 kiloliters. Shipments are estimated by this Center.

② [Crude oil and futures prices] (WTI crude and Middle Eastern crude)

For the WTI crude, the front-month WTI crude futures contract's daily closing price on the New York Mercantile Exchange (NYMEX) is adopted.

For the Middle Eastern crude, the front-month Middle Eastern crude futures contract's closing price on the Tokyo Commodity Exchange (TOCOM) is adopted. * "Second-month (next-month) contract"

Underlying the Middle Eastern crude price is the average price for the Dubai and Oman crude oil. The telegraphic transfer middle rate (TTM) released by the Bank of Tokyo-Mitsubishi UFJ is adopted as the foreign exchange rate.

The crude oil import CIF price is a dollar-denominated reference price estimated by the PAJ based on the average crude oil price (on a 10-day basis) in the Ministry of Finance trade statistics.

③ [Motouri wholesale prices of petroleum products in Japan]

Motouri wholesale prices are prices for transactions between Motouri petroleum products wholesalers (primary wholesalers) and their affiliates (secondary wholesalers).

Motouri companies modified their new pricing system in April 2010 to decide specific policies in comprehensive consideration of crude oil and petroleum products market prices, each other's prices and other data. In June 2014, they modified the system further to give greater priority to crude oil cost.

④ [Gyoten spot prices of petroleum products in Japan] (RIM gyoten)

Onshore cargo spot prices are the average onshore lorry rack prices for the four districts of Tokyo, Kawasaki, Chukyo and Hanshin in the Lorry Rack Report of RIM Intelligence Co.

⑤ [Futures prices of petroleum products in Japan] (TOCOM)

Front-month petroleum products futures contracts' daily closing prices for TOCOM Tokyo Bay and Chubu are adopted.

TOCOM Tokyo Bay prices are the average offshore barge prices for the Keihin district. TOCOM Chubu prices are the average lorry rack prices in the Chubu district.

⑥ [Retail prices of petroleum products in Japan] (Weekly trend survey)

Average cash retail prices at some 2,000 service stations subject to a weekly nationwide survey are adopted (as released by the Agency for Natural Resources and Energy). The survey covers prices on Monday and is released at 14:00 on Wednesday (available on the website of the Agency for Natural Resources and Energy).